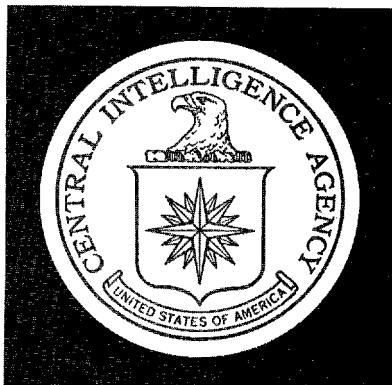


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Czechoslovakia: The regime has taken steps to create a federal system of government that may go far toward meeting Slovak demands for equality.

On 24 June, the National Assembly approved a constitutional amendment creating a Czech National Council and empowering it, together with the existing Slovak National Council, to draft the articles of federation. There was a sharp debate among the Czech delegates as to whether there should be a tripartite federation including Slovakia and splitting the Czech lands into Bohemia and Moravia-Silesia, but the measure finally passed as proposed with only one abstention.

A number of Moravian deputies argued against the proposed tripartite federation and convinced the assembly that the issue was one of relations between the Czech and Slovak peoples rather than between regions. The assembly also adopted a resolution, however, calling on the Czech National Committee to examine the questions of Moravia-Silesia and the city of Brno, perhaps with a view to granting them special status.

The powers of the new provincial governments will be broad, and apparently will include some control over foreign trade. The Slovak National Council plans to meet on 27 and 28 June to discuss proposals to create six new departments to regulate economic and social matters which up to now have been controlled from Prague. These departments are later to become ministries, presumably after federalization takes place.

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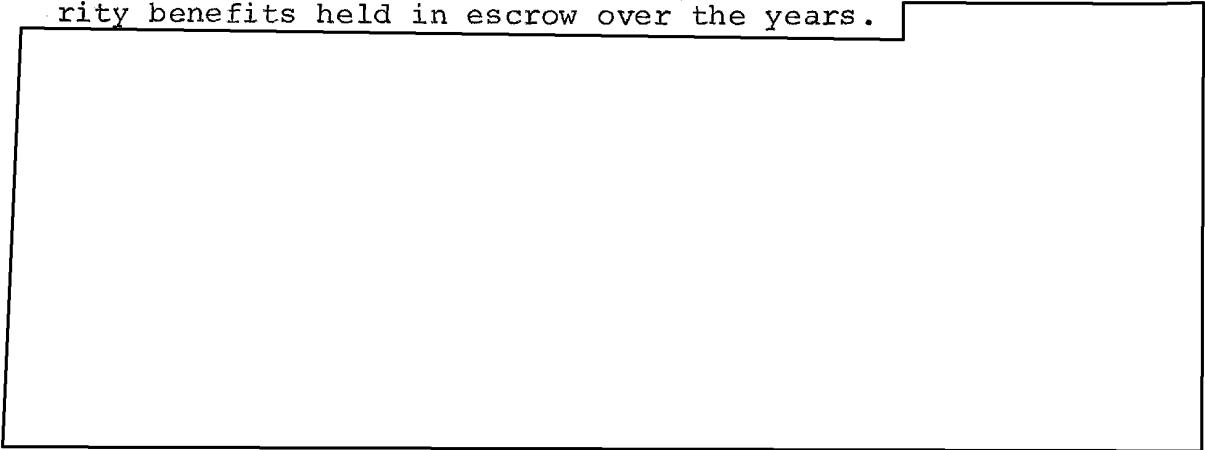
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Hungary: Budapest's impending appointment of an ambassador to Washington may initiate new efforts to improve relations.

Janos Nagy, for whom US agreement has been granted, should shortly be named the first Hungarian Communist ambassador to the US. He is a 40-year-old career diplomat who served in Washington in 1955 and 1956 as counselor and later as chargé d'affaires ad interim of the Hungarian Legation.

Hungary has solicited US views on the possibility of its opening a commercial bureau in New York City. The prospect of increased trade with the US, especially in Hungarian exports of meats and textiles, probably was the stimulus.

The two countries are now discussing the payment to beneficiaries living in Hungary of US Social Security benefits held in escrow over the years.



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Berlin: Most West Berliners seem to be taking the recent East German restrictions in stride, but there is deep concern about the city's future.

The psychological impact of the restrictions, not unexpectedly, has been to emphasize the West's seeming helplessness in the face of Communist harassment. Many Berliners are resigned to the situation, but there is fear that workers and youth without firm ties to the city may decide to leave. Informed Berliners so far are more critical of Bonn than Washington for what they see as a lack of sufficient counter-measures.

Businessmen are concerned over a possible decline in new investment. West German measures to stimulate investment will help, but German officials hope that other Western investment, particularly American, will be forthcoming.

Meanwhile, Pan American Airways has advised the Bonn government that it is willing to provide additional capacity on the Berlin-Hannover route beginning 1 August. Thus far, British European Airways has declined to commit itself, but it may well follow Pan American's lead. The West German Government has plans to subsidize this service so that the cost to the passenger will approximate that of rail travel.

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France - Common Market: [In announcing "emergency" trade measures yesterday, Paris apparently presented the other members of the Common Market with a fait accompli.]

[The measures involve quotas on certain imports and across-the-board subsidies on exports. In their latest announcement, the French left ambiguous what effect, if any, a community "examination" of the measures would have.]

[Initial reactions of European Commission and member-state officials had focused on Paris' failure to base its action on any article of the Common Market treaty. One commissioner termed the action "cunning and absolutely outrageous."]

[Commission officials may confer with the French before taking a stand, but probably will not be able to do more than suggest amendments to the French program. The US mission believes that the member states ultimately will condone France's action and find a way to legalize it. Initial comments from the five, however, indicated considerable displeasure, mixed with some relief that the French measures were not even more severe.]

[Among nonmembers of the community, there is considerable concern over the lack of prior international consultation and the bad precedent set in ignoring international trade rules. Efforts of non-member countries now probably will center on getting assurances--presumably in the GATT council--that the French measures will in fact, as the French claim, be temporary.]



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Turkey: The University of Istanbul remains tense, but student unrest elsewhere has generally eased.

25X1 The university has been officially closed by the university senate, and the rector has announced that control of the campus is now in the hands of the police. Striking students still occupy some of the buildings, but there is no indication that the police intend to make any early move to dislodge them. [redacted] the striking students are hungry and discouraged. There are also rumors that they will "tear up the place" unless there is a breakthrough in the situation by 27 June.

Parliamentary debate on the student strikes resumed yesterday, and Prime Minister Demirel's strong condemnation of the students for occupying university property is expected to lead to an attempt by the opposition to characterize the government as the enemy of the students. Another government spokesman has charged that revolutionary socialists have infiltrated the student movement.

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Sierra Leone: Prime Minister Stevens' shaky new regime is continuing its drift to the left.

The anti-Western press campaign, instigated by left-wing activists, has not abated, and a xenophobic, irrational atmosphere prevails in Freetown. There is a pervasive suspicion that Westerners, particularly Americans, are "plotting with indigenous opposition political elements." Stevens, who appears to be heavily influenced by youthful radical supporters, has again voiced his suspicions about Peace Corps activities and has said he is disillusioned with US aid policies.

Rising anti-Western sentiments probably will be reflected in the regime's foreign policy. There are some indications that Communist countries are encouraging the anti-West drive and are preparing to take advantage of the opening. Pro-Hanoi posters, printed in Czechoslovakia and calling for anti-US demonstrations, have appeared in Freetown as well as at a largely US-owned mining firm in the south.

The regime, moreover, appears to be prepared to recognize Communist China, especially if the latter offers an appropriate economic credit.

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Bolivia: [There is considerable resistance to the conditions attached to the \$4.5-million special assistance loan now being negotiated with the US.]

[Finance Minister Romero Loza has said he would resign rather than sign this loan, which is intended to help finance the budget deficit. He believes the conditions--such as the additional ten-percent tax on imports--are too stringent and would have serious political repercussions.]

Romero expects to be replaced by Rolando Pardo, the current director general of coordination and planning and formerly minister of economy.]

[The government apparently believes the political consequences of the "humiliating" conditions attached to this loan are of more immediate importance than the serious economic effects of a failure to take steps now. Whether or not an agreement is reached before the 30 June deadline, President Barrientos will probably discuss this and other economic problems with President Johnson and other US officials when he visits here next week.]

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[Brazil: The Costa e Silva administration squeaked through yesterday's major protest demonstrations without undue violence, but dangerous counter-currents may be building up in the military.

A powerful bomb explosion early yesterday extensively damaged the new second army headquarters in Sao Paulo, killing one soldier and injuring four others. The job was clearly done by professionals, and Sao Paulo military leaders reportedly are furious. Military and police in that city have exercised considerable restraint in dealing with the continuing disorders, but are now likely to crack down sharply. Sao Paulo citizens are worried and increasingly hostile to violence--much of which has been perpetrated by students.

In contrast to Sao Paulo, support for students in Rio de Janeiro has broadened, principally because of exaggerated and indiscriminate police violence. Yesterday's "March for Liberty Against Repression" included clergy, parents, teachers, and intellectuals, and had quite extensive labor backing.

President Costa e Silva and Education Minister Dutra have again promised educational reforms, but their lackluster statements are unlikely to conciliate the students. Leadership of the student demonstrations has been increasingly well organized, and has been taken over principally by members of the dissident Communist Party, a group more radical than the orthodox party.

Student demonstrations, no matter how well organized and widespread, are not likely by themselves to bring down the Costa e Silva government. Divisions, however, are likely to occur within the military--whose support is essential to the government--on the handling of the continuing political turmoil. Already there has been a rumor of a plot by "hard liners" to replace Costa e Silva, and military dissatisfaction with his inept performance seems likely to increase.

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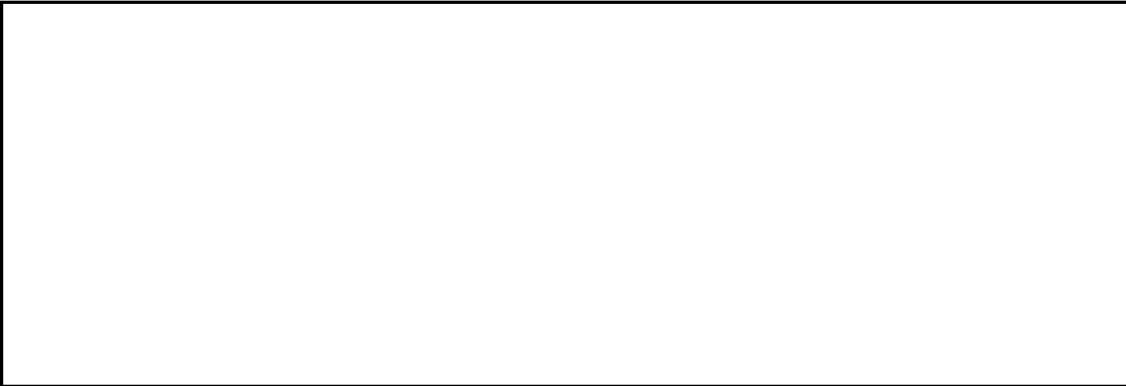
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Burundi - North Korea: The two countries may soon establish diplomatic relations. President Micombero until recently appeared wary of ties with the North Koreans despite Burundi's radical line on foreign policy issues. He probably feared that the North Koreans would meddle in internal politics as the Chinese did when they had diplomatic representatives in Bujumbura in 1964. Whatever reluctance Micombero had, however, apparently has been dispelled by an indefinite promise of aid from Pyongyang. If relations are established, the North Korean representatives probably will reside in Dar is Salaam, not Bujumbura.



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Nigeria: Prospects for an early resumption of peace talks between the federal government and the secessionist Biafrans continue dim. [Federal leader Gowon has resisted the efforts of a visiting high British official to nudge him toward agreeing to a cease-fire prior to a Biafran renunciation of secession.] Far their part, the Biafrans show no signs of relaxing their position that negotiations cannot proceed in the absence of an unconditional cease-fire. There is little likelihood that the Organization of African Unity's committee on Nigeria, which is gearing up for a meeting next month after a long period of inactivity, will break the impasse.



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Haiti: President Duvalier appears to be taking advantage of the trials of exiles captured during the abortive invasion last month to extort much-needed revenue from the business community. [None of the high-ranking security forces officials and government leaders indirectly implicated by the exiles has been arrested thus far, but] several prominent businessmen have been. Two of these, who serve as the honorary Jamaican consul and vice consul in Haiti, have been charged with supplying the New York - based Haitian Coalition with \$150,000 to finance the invasion.

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Peru: The US-owned Southern Peru Copper Company has announced its willingness to proceed with an investment of \$280 million to exploit a newly discovered copper deposit in southern Peru. There is press speculation that the other two large US-owned copper companies in Peru may follow suit, with investments totaling as much as \$500 million for the three companies. The inflow of foreign capital to cover the domestic costs of these investments would materially help Peru's balance of payments during the next year or two, but benefits from the resulting large expansion of copper exports will not appear for several years.

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